LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

301 State House
(317)232-9855

ADMINISTRATIVE RULE
FISCAL IMPACT STATEMENT

PROPOSED RULE: #03-61 **DATE PREPARED:** Jun 30, 2003
STATE AGENCY: Family and Social Services Administration **DATE RECEIVED:** May 28, 2003

FISCAL ANALYST: Kathy Norris
PHONE NUMBER: 317-234-1360

<u>Digest of Proposed Rule:</u> The proposed rule amends 405 IAC 1-17 governing the reimbursement methodology for state-owned Intermediate Care Facilities for the Mentally Retarded (ICFs/MR).

<u>Governmental Entities:</u> *State Impact:* Revisions in the reimbursement for state-owned ICRs/MR will increase the rates charged to the Medicaid program, thereby reducing the amount of state funding necessary to subsidize the facilities. The rule changes will increase the amount of federal reimbursement for the facilities. The State Medicaid Plan amendment necessary to implement this change was approved by CMS to be effective January 1, 2003.

Five state-owned facilities will be affected by the change in rates proposed by this rule. They are: the Fort Wayne Developmental Center, Muscatatuck State Developmental Center (including Pleasant Run), and units at Evansville State Hospital, Logansport State Hospital, and Madison State Hospital. The rate-setting process for these facilities will be changed in the following ways in order to recognize the increase in intensity and timeliness of the services provided in recent years:

- Apply retrospective rate-setting principles for state-owned facilities with an annual cost settlement. The definitions for Medicaid allowable costs will not change.
- Removal of a 10% reduction in the current rate if there is a delay in the filing of annual financial reports.
- Changes the rate effective date from the first day of the fourth month following the provider's reporting year end to the first day of the month following the provider's reporting year end.
- Removal of the market area limitation, private pay rate limitation, and requested rate limitation.
- Removal of a requirement to base forecasted data on a minimum 80% occupancy.
- Removal of a nine-month base rate reporting requirement.
- Removal of central office financial reporting requirements.

Contractors for the Office of Medicaid Policy and Planning have estimated that these changes will result in the leveraging of an additional $4.95 M in federal Medicaid dollars in FFY 2003 and $6.6 M in FFY 2004. This additional federal reimbursement is the amount of state funding currently used to operate the state-owned facilities that may be used for other purposes within the Medicaid program. The rule revisions actually result in state savings, although the Office states that "state expenditures will not change". This statement is interpreted to mean that the state funds made available by the rule change will be used within the total Medicaid program expenditures.

Local Impact: There should be no impact on any local units of government.

Regulated Entities: The proposed rule change applies only to state-owned ICFs/MR. FSSA does not believe there is a cost of compliance for the facilities; indeed for the facilities, the rule should be cost-neutral. The facilities will continue to receive the same amount of funding, except that more reimbursement will come from the state/federal Medicaid program.

Information Sources: Donna Stolz Sembroski, Office of Medicaid Policy and Planning, (317) 232-1282.